

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SCHLUETER BUILDING )	
COMPANY D/B/A SOUTH HILLS SUBDIVISION )	
SEWER SYSTEM FOR AN ADJUSTMENT OF )	CASE NO. 94-333
RATES PURSUANT TO THE ALTERNATIVE RATE )	
FILING PROCEDURE FOR SMALL UTILITIES )	

O R D E R

On November 10, 1994, Schlueter Building Company, d/b/a South Hills Subdivision Sewer System ("South Hills") filed its application for Commission approval of proposed sewer rates. Commission Staff, having performed a limited financial review of South Hills' operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 15 days from the date of this Order.

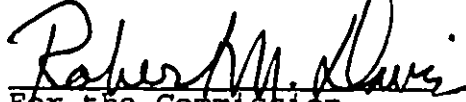
IT IS THEREFORE ORDERED that all parties shall have no more than 15 days from the date of this Order to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 17th day of January, 1995.

ATTEST:

  
\_\_\_\_\_  
Executive Director

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
For the Commission

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH HILLS	)	
SUBDIVISION SEWER PLANT, FOR A	)	CASE NO. 94-333
RATE ADJUSTMENT	)	

STAFF REPORT

Prepared By: Jack Scott Lawless, CPA  
Public Utility Financial  
Analyst  
Water and Sewer Revenue  
Requirements Branch  
Financial Analysis Division

Prepared By: Carryn Lee  
Public Utility Rate  
Analyst  
Communications, Water  
and Sewer Rate Design Branch  
Rates and Research Division

STAFF REPORT  
ON  
SOUTH HILLS SUBDIVISION SEWER  
CASE NO. 94-333

On November 10, 1994, Schlueter Building Company d/b/a South Hills Subdivision Sewer ("South Hills") filed an application with the Kentucky Public Service Commission ("Commission") seeking approval of an increase in its tariffed sewer rates of 182.6 percent, an increase in annual operating revenues of \$6,791 based on its operations for the year ending December 31, 1993. South Hills requested assistance from Commission Staff ("Staff") in the preparation of its Alternative Rate Filing Form as allowed pursuant to 807 KAR 5:076, Section 2. In order to assist in the preparation of this application, Staff performed a limited financial review of South Hills' test year operations.

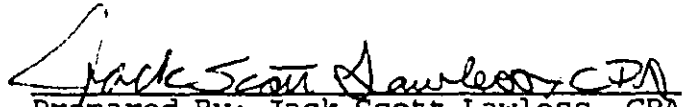
The scope of the review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Scott Lawless of the Commission's Division of Financial Analysis performed the limited review on April 21, 1994. Mr. Lawless is responsible for the preparation of this Staff Report except for the determination of Normalized Operating Revenue, Rate Design, and Attachment C, which were prepared by Carryn Lee of the Commission's Division of Rates and Research.

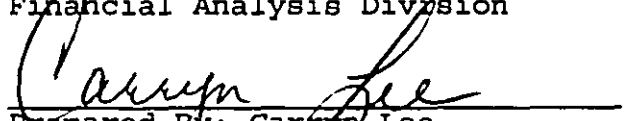
A copy of Staff's Adjusted Net Operating Income Statement is shown on Attachment A. Attachment B details its revenue requirement determination. Staff recommends that South Hills be allowed to increase

its annual operating revenues by \$6,450. The rates contained in Attachment C will achieve Staff's recommended level of revenue.

Signatures

A handwritten signature in dark ink, appearing to read "Jack Scott Lawless, CPA", written over a horizontal line.

Prepared By: Jack Scott Lawless, CPA  
Public Utility Financial  
Analyst  
Water and Sewer Revenue  
Requirements Branch  
Financial Analysis Division

A handwritten signature in dark ink, appearing to read "Carolyn Lee", written over a horizontal line.

Prepared By: Carolyn Lee  
Public Utility Rate Analyst  
Communications, Water  
and Sewer Rate Design Branch  
Rates and Research Division

ATTACHMENT A  
STAFF REPORT CASE NO. 94-333

SOUTH HILLS SUBDIVISION SEWER  
STATEMENT OF OPERATIONS

	<u>Test Year</u>	<u>Adjustments</u>	<u>Ref.</u>	<u>Pro forma Present Rates</u>
Operating Revenues	\$ 3,720	\$ 0		\$ 3,720
Operating Expenses				
Maintenance of Treatment Plant	4,250			4,250
Maintenance of Other Plant	4,800	2,400 (3,200)	(A) (B)	4,000
Depreciation	<u>1,000</u>	<u>(300)</u>	(C)	<u>700</u>
Total Operating Expenses	<u>10,050</u>	<u>(1,100)</u>		<u>8,950</u>
Net Operating Income	\$ (6,330)	\$ 1,100		\$ (5,230)

A. Owner/Manager Fee

The owner of South Hills is entitled to an annual owner manager fee of \$2,400. This fee was not included in test year operating expenses. Therefore, this adjustment was proposed and should be accepted.

B. Road Repair

During the test year South Hills expensed \$4,000 for repairs to its access road. It has proposed to amortize this amount over five years by decreasing test year operating expenses by \$3,200. Staff agrees with this adjustment and recommends that it be accepted.

C. Depreciation

South Hills recorded test year depreciation expense of \$1,000. However, as of January 1, 1995, the balance of depreciable net utility plant in service will be \$700. This is the amount of expense recommended.

ATTACHMENT B  
STAFF REPORT CASE NO. 94-333

SOUTH HILLS SUBDIVISION SEWER  
REVENUE REQUIREMENT DETERMINATION

Pro forma Present Rate Operating Expenses	\$ 8,950
Operating Ratio	<u>.88%</u>
Required Revenue	10,170
Less: Pro forma Present Rate Operating Revenues	<u>(3,720)</u>
Revenue Increase	<u>\$ 6,450</u>
Percentage Increase	<u>173%</u>

ATTACHMENT C

STAFF REPORT CASE NO. 94-333

Recommended Revenue Requirement	\$10,170
Number of Customers (Reported in Application)	<u>+ 62</u>
Annual Amount Per Customer	\$ 164.03
	<u>+ 12 Months</u>
Monthly Flat Rate Per Customer	\$ 13.67
 <u>Monthly Rate</u>	
Residential	\$ 13.67